Consumers fail to open pocketbooks

April retail sales flat after expected rise

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USA TODAY

Warm weather failed to loosen tight-fisted consumers in April as they continued to sock away their savings from cheap gasoline.

Their extended penny-pinching is raising doubts about whether consumers will be the engine of economic growth this year that economists anticipated as business investment continues to languish.

Retail sales were flat last month, the Commerce Department said Wednesday, well below the 0.3% increase projected by economists surveyed by Action Economics. So-called core sales — which exclude autos, gasoline, food services and building materials — also were unchanged. Analysts expected a 0.6% rise.

Sales rose at sporting goods, building materials, and health and personal care stores, but fell at furniture, electronics and department stores.

The disappointing report prompted Michael Feroli of JPMorgan Chase to revise his estimate of second-quarter economic growth to 2% at an annual rate, down from 2.5%.

Americans were expected to splurge in April after harsh winter weather and stagnant wages were blamed for crimping their purchases since December. A closely watched Labor Department report this month showed private wages rising at the fastest pace in seven years in the first quarter.

Other factors also have fattened consumers' wallets, including strong job growth, high consumer confidence, lofty stocks and low gasoline prices.

"The disappearance of consumer spending in early 2015 has now become even more mysterious," Feroli says.



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U.S. shoppers didn't spend in April, confounding analysts.

Barclays Capital economist Jesse Hurwitz says most of the fuel-savings lift to Americans' outlays came last fall. He expects just a moderate boost the rest of 2015.

At $2.67 a gallon, regular unleaded prices are about $1 below the year-ago price, but up from about $2 in January.

Other forces might be at work, including spending cutbacks by retiring Baby Boomers and the inability of Millennials to replace their purchasing power as they struggle in the job market, says economist Andrew Labelle of TD Economics.

Bill Woltjier, 66, of Indianapolis, retired in late April as a heating and air-conditioning technician, prompting he and his wife, Cynthia, to spend more cautiously. They have downgraded their cable service, and Cynthia says she has cut out some monthly shopping trips.

Other economists are more upbeat. Gregory Daco of Oxford Economics cites April's healthy rise in spending at restaurants and bars.

"That's not the type of (actitvity) you do when things aren't going well," he says.

Big-ticket purchases, he adds, can be volatile. Spending at furniture stores, for example, fell 0.9% in April but rose 1.8% in March. Also, he notes, purchases of services, such as travel and vacations, has been strong recently. Services spending makes up most economic activity.

"I do expect a rebound," Daco says.

After growing 1.9% in the first quarter, he expects consumer spending to increase 2.9% in the current quarter and 3.1% for the year.